

Joint Legislative Audit and Review Committee (JLARC)

November 2004

Committee Highlights 2004

Washington's Performance Reviewers

The **Joint Legislative Audit and Review Committee (JLARC)** works to make state government operations more efficient and effective. Comprised of an equal number of House members and Senators, Democrats and Republicans, JLARC works collaboratively to promote performance improvements in state government.

State law (RCW 44.28.080) gives JLARC the authority to:

- Conduct performance audits;
- Make examinations to promote economy, efficiency, and effectiveness in state government;
- Conduct program and fiscal reviews of any state agency or program scheduled for termination under the Sunset Review Process;
- Perform other legislative studies of state government or the use of state funds.

JLARC's Work Produces Savings

As one of its performance measures, JLARC tracks the fiscal impacts of its performance audits in terms of realized savings and cost avoidances, both one-time and ongoing. These savings are "realized" because either state agencies or the Legislature (or both) took action on JLARC's recommendations. JLARC also estimates additional potential savings if recommendations were to be fully implemented in the future.

Savings through JLARC audits from 1990 to date:

Savings Through JLARC Audits: 1990 to Present

Realized Savings/Cost Avoidances

- One-Time \$417 million
- Annual Ongoing \$ 87 million

Potential Savings/Cost Avoidances

- One-Time \$ 13 million
- Annual Ongoing \$189 million

Note: The assumptions underlying these figures are based on conservative estimates. For example, with a range of dollar amounts, the low-end or mid-point estimate is used. Also, amounts reflect "present value" calculations.

JLARC's full reports are located on our website

<http://jlarc.leg.wa.gov>

JLARC Studies Make Things Happen

JLARC's Work Assignments Come From a Variety of Directions

Legislative provisos in the operating, capital, and transportation budgets, as well as in policy bills, direct JLARC to undertake studies. For the past three biennia, most of JLARC's workload has come from such provisos. Requests and suggestions from JLARC members, other legislators, legislative staff, the Office of Financial Management, the State Auditor's Office, and the Transportation Performance Audit Board may also generate JLARC performance audits.

JLARC Performs "Sunset" Reviews

When a state program is scheduled to be terminated, or to "sunset," JLARC conducts both a performance review and fiscal review of the program, and makes recommendations as to whether the program should be continued, modified, or terminated. JLARC sunset reviews since 1977 have recommended termination or modification of over 80 state programs. As shown below, the Legislature takes JLARC's sunset recommendations seriously.

Agencies Are Required to Include Responses to JLARC Audit Recommendations in Their Budget Submittals

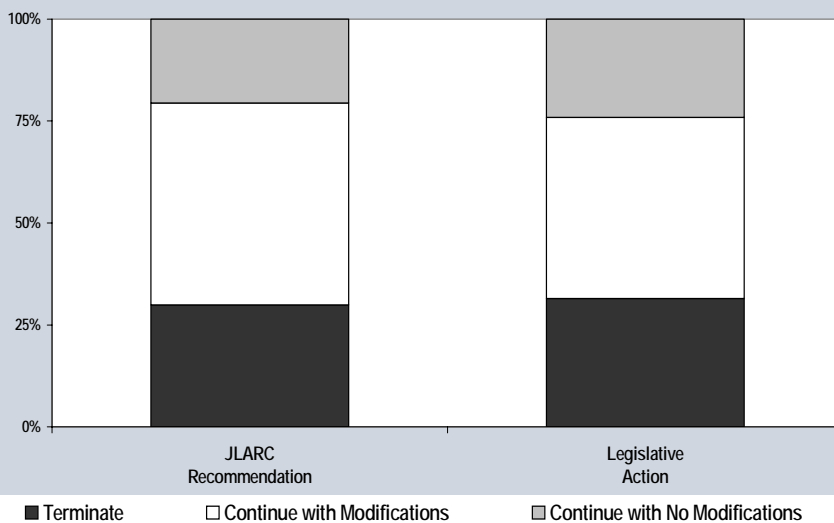
As part of the required information for their budget submittal packages, 15 state agencies updated the Office of Financial Management on their status implementing JLARC study recommendations. For the 2005-07 budget requests, these 15 agencies responded to 109 recommendations contained in 19 different studies from 1998 to the present. Agencies report varying degrees of progress implementing the recommendations.

"The agency's seven divisions worked together to develop the most integrated strategic plan in its 10 years of existence along with an improved set of performance measures and targets to match its array of activity areas."

~Department of Community, Trade, and Economic Development update following JLARC's performance and outcome measure review of the agency.

- Tracking from the beginning of the 1997-99 Biennium, almost three-quarters of JLARC recommendations are being implemented.

Legislative Response to JLARC Sunset Recommendations



JLARC Studies: Wide and Deep

JLARC Provides Legislature with First Comprehensive Look at Medicaid

Medicaid is a program of medical and health-related services coverage for low-income people who meet income and resources eligibility criteria. Washington Medicaid will spend \$12 billion in the 2003-05 Biennium, capturing over 30 percent of the state's biennial appropriations and over 75 percent of appropriations to the Department of Social and Health Services.

JLARC initiated a look at Medicaid *as one program* rather than as a funding source for a collection of services. This allowed JLARC to provide the Legislature with information on how all of the disparate Medicaid pieces fit together. The report includes specific recommendations to:

- Improve Medicaid data to support a comprehensive approach to legislative policy making and DSHS management of Washington Medicaid;
- Improve the forecasting of Medicaid caseloads and manage costs; and
- Improve the oversight of decentralized Medicaid management.

JLARC's Higher Education Facilities Study Prompts New Capital Reviews

Working with consultants and higher education institutions, JLARC developed a **comparable framework** to get more accurate inventories of higher education buildings. For the first time, the Legislature can gauge the relative condition of these buildings and estimate the magnitude of preservation backlogs across institutions **on a comparable basis**.

This work led the Legislature to direct the higher education institutions to improve the

average condition of their facilities as compared to the JLARC-established baseline condition. This work also resulted in new capital-related assignments for JLARC: expansion of the comparable framework to include campus infrastructure; a review of public works projects using the general contractor/construction manager method; and a performance audit of state capital planning, design, and construction processes.

Also in 2003-05

Performance and Outcome Measure Reviews:

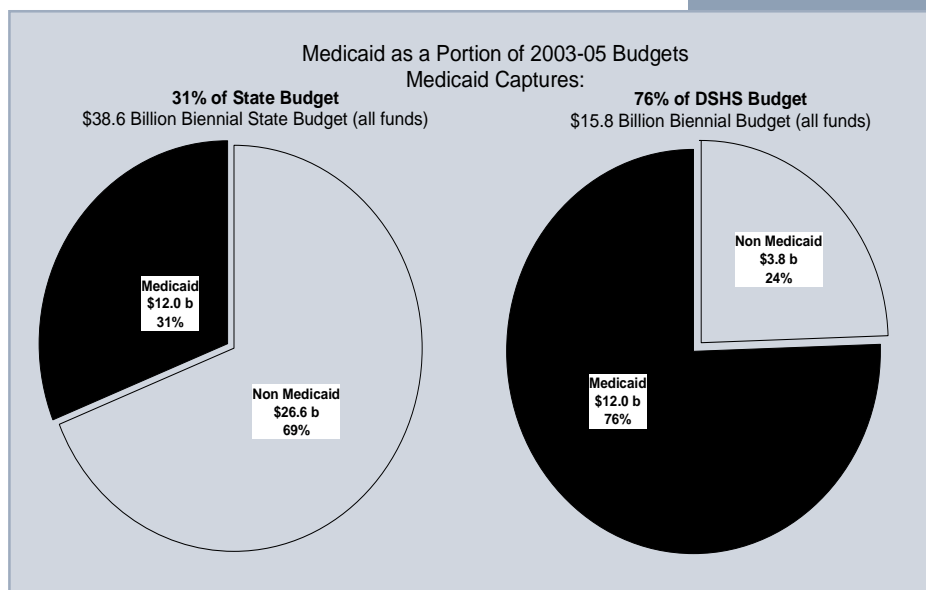
State Economic Vitality Efforts
Employment Security Department
Department of Community, Trade and Economic Development
Department of Ecology
Rehabilitation Services to Injured Workers

Pre-Sunset Reviews:

Prescription Drug Affordability
Linked Deposit Program
Office of Regulatory Assistance

Follow-Ups:

Investing in the Environment
Pipeline Safety
Mental Health System
Workers' Compensation



JLARC and the State Auditor's Office: Distinct Roles - A Formidable Team

Committee Members

Senators

Darlene Fairley

Jim Horn

Chair

Jeanne Kohl-Welles

Bob Oke

Debbie Regala

Secretary

Val Stevens

Pat Thibaudeau

Joseph Zarelli

Representatives

Gary Alexander

Asst. Secretary

Brad Benson

Kathy Haigh

Ross Hunter

Fred Jarrett

Tom Mielke

Phil Rockefeller

Vice Chair

Deb Wallace

Legislative Auditor

Cindi Yates

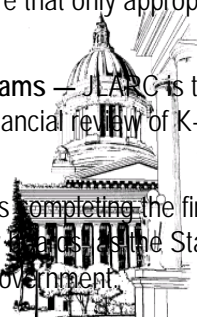
The **State Auditor** is an **elected official** who audits financial records and protects public funds from misappropriation and misuse. He also ensures that state and local government agencies comply with the state's laws and regulations regarding financial matters. The State Auditor's Office reviews the *financial activities* of 268 state agencies and some 2,400 units of local government.

JLARC is a **joint, bipartisan legislative committee**, whose primary focus is conducting performance audits, sunset reviews, and other studies relating to the *efficient and effective operation* of government programs that receive state funds. JLARC's emphasis is on recommendations to improve the performance of state government.

In recent years, the Legislature has combined the State Auditor's expertise in review of financial records with JLARC's skills in assessing agency performance:

- **Wildland Fire Suppression** — JLARC is analyzing the Department of Natural Resources' compliance with legislative policies setting fire suppression priorities and the department's costs, policies, and procedures for fighting fires; the State Auditor's Office is analyzing payroll documents and invoices to determine if controls are in place to ensure that only appropriate costs are charged to the emergency fire suppression budget;
- **Alternative Learning Experience Programs** — JLARC is the lead agency in a pairing with the State Auditor's Office to conduct a legal and financial review of K-12 "alternative learning experience" programs;
- **Water Conservancy Boards** — JLARC is completing the first legislative review of the operation of Washington's 21 local water conservancy boards as the State Auditor's Office concludes the first-ever financial analysis of these units of local government.

State legislatures direct performance audits in 34 states. Congress, through its Government Accountability Office (GAO), conducts performance audits at the federal level. Performance audits are most frequently a legislative responsibility.



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